

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
Maquoketa, Iowa

**FINANCIAL STATEMENTS**  
December 31, 2020

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**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
UTILITY BOARD OF TRUSTEES  
December 31, 2020**

<u><b>Name</b></u>	<u><b>Title</b></u>	<u><b>Term Expires</b></u>
Jan Kahler	Chairperson	December 2025
Aaron Eltrich	Vice-Chairperson	December 2021
Megan Andresen	Secretary	December 2023
Andrea Jones	Board Member	December 2021
Abby Gehl	Board Member	December 2025



## INDEPENDENT AUDITOR'S REPORT

Utility Board of Trustees  
Maquoketa Municipal Electric Utility  
Maquoketa, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities, each major fund, and the aggregate remaining fund information of the Maquoketa Municipal Electric Utility, a component unit of the City of Maquoketa, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utility's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities, each major fund, and the aggregate remaining fund information of the Maquoketa Municipal Electric Utility as of December 31, 2020, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.



### **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion was not modified with respect to this matter.

### **Other Matters**

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Maquoketa Municipal Electric Utility's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended December 30, 2020 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 11 and on page 24 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2021 on our consideration of Maquoketa Municipal Electric Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Maquoketa Municipal Electric Utility's internal control over financial reporting and compliance.

 Min, Lily: Muler CPA PC

Maquoketa, Iowa  
August 4, 2021

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

**I. INTRODUCTION**

This management discussion and analysis (MD&A) of Maquoketa Municipal Electric Utility's (MMEU) financial performance provides an overview of MMEU's financial activities for the fiscal year ending December 31, 2020. The information in this MD&A should be considered in conjunction with the financial statements that follow this section.

**II. OVERVIEW OF BUSINESS**

The City of Maquoketa established a municipal electric utility in 1919 in order to provide electricity to the City's streetlights. When it became apparent to local residents, that the City could also provide electricity to homes and businesses, the municipal electric utility was expanded and more generating units were added at its power plant. The City's electric utility actually operated for many years in direct competition with a private electric company until 1984 when the City purchased the Maquoketa assets and property of the Iowa Electric Light and Power Company. The two electric systems were eventually combined into one system.

The Maquoketa City Council and the Maquoketa City Managers were responsible for the oversight and administration of the municipal electric utility until 1985. The Maquoketa voters established an independent Board of Trustees to oversee the municipal electric utility on November 5, 1985. The utility was officially named Maquoketa Municipal Electric Utility (MMEU), and a Utility Manager was hired by the Board of Trustees to manage the electric utility. MMEU Celebrated 101 years as a Public Utility in 2020.

**III. GENERAL OVERVIEW OF UTILITY OPERATIONS**

Governance of MMEU is now vested in a five-member Board appointed by the Mayor of Maquoketa with approval of the City Council. Members of the board of Trustees serve for six-year staggered terms. The Board has complete control of MMEU management and employs 15 full-time employees. MMEU's administrative office is located at City Hall.

MMEU has expanded over the years and currently provides electric service to virtually all parts of Maquoketa and some rural areas to the south of Maquoketa. MMEU presently serves approximately 2,807 residential accounts, 564 commercial accounts, and 21 industrial accounts.

MMEU owns distribution lines and transmission lines. MMEU owns and operates two power plants. Plant 1, or the original plant built in 1919, is on the north side of the City, and presently has the capacity to generate 21,207 KW of power. Plant 2 was built in the City's South Industrial Park along U.S. Highway 61 on the City's south side. Plant 2 has the capacity to generate 5,000 KW of power. The generating units are able to operate on an amalgamation of either diesel fuel or natural gas or on diesel fuel only. Plants 1 and 2 generated 93,700 kWh of power in 2020 or about 0.14% of the total power needs of the City.



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

III. GENERAL OVERVIEW OF UTILITY OPERATIONS (CONTINUED)

When diesel fuel prices substantially increased in the 1970's, it became more cost effective for the City to purchase electric power at a wholesale rate from private companies that operated coal-fired and nuclear power plants. The City also joined a consortium of other municipally owned electric utilities known as the Resale Power Group of Iowa (R.P.G.I.) in the 1970's. The R.P.G.I. negotiates the contracts for wholesale electric power from private electric companies on behalf of its member utilities. MMEU signed a five-year agreement for the purchase of wholesale electric power with the R.P.G.I. in late 2003, which became effective on January 1, 2004. This contract ended December 31, 2008. MMEU signed a Long Term Power Supply Contract with Wisconsin Public Power Inc. (WPPI) in June of 2007. The Utility began receiving services from WPPI starting January 1, 2009. In March of 2016 MMEU extended the contract with WPPI through December 31, 2055. In 2020, MMEU purchased 71,878,898 kWh or 99.86% of its power needs from WPPI.

IV. OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A serves as an introduction to the financial statements and represents management's examination and analysis of MMEU's financial condition and performance. The financial statements contain information about MMEU based on cash accounting methods as utilized by similar entities in the private sector.

The statement of cash receipts, disbursements, and changes in cash balances presents the results of MMEU's receipts and disbursements over the course of the calendar year and provides information about MMEU's recovery of costs. Electric rates are established by the Board of Trustees and are based on MMEU's Cost of Service Study. The Cost of Service Study estimates annual revenue requirements through an analysis of operational and maintenance expenses, debt service requirements, anticipated capital needs, and return on capital. The study provides a core of information not only for the trustees and staff at MMEU, but also for the customers ultimately affected by the Board's decisions.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of data provided in the statements. The notes supplement the financial statements by presenting information about MMEU's accounting policies, significant account balances and activities, material risks, obligations, and commitments.

V. MMEU/CITY AGREEMENTS

Although MMEU operates as an independent department of the City of Maquoketa, there is a written cooperative agreement between the City and MMEU that defines shared services and joint efforts.



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

**VI. MMEU BUDGET AND RATES**

MMEU has adopted a calendar year budget that reports on a cash basis. WPPI performs a cost of service study to assist the board in rate setting policy. The last rate study by WPPI was updated in 2019.

The current electric rate structure went into effect on October 20, 2019. MMEU electric rates are as follows:

<b>Rate Class</b>	<b>Rate</b>
<b><u>RS Residential</u></b>	
Basic Service Charge	\$13.00
Energy Charge per kWh	\$ 0.1070
PPA	Varies
<b><u>SGS Small General Service (Commercial) Non-Demand</u></b>	
Basic Service Charge	\$20.00
Energy Charge per kWh	\$ 0.1036
PPA	Varies
<b><u>LGS 50 Demand &gt;= 50 kW but &lt; 200 kW</u></b>	
Basic Service Charge	\$50.00
Demand Charge per kW	\$ 6.00
Energy Charge per kWh	\$ 0.0870
PPA	Varies
<b><u>LGS 200 Demand &gt;= 200 kW but &lt; 600 kW</u></b>	
Basic Service Charge	\$75.00
Demand Charge per kW	\$ 8.50
Energy Charge per kWh	\$ 0.0814
PPA	Varies
<b><u>LGS 600 Demand &gt;= 600 kW</u></b>	
Basic Service Charge	\$200.00
Demand Charge per kW	\$ 9.00
Distribution Demand Charge per kW	\$ 1.50
Energy Charge per kWh	\$ 0.0685
PPA	Varies
<b><u>LLF 50 Demand &gt;= 50 kW and Load Factor &lt;25%</u></b>	
Basic Service Charge	\$50.00
Energy Charge per kWh	\$ 0.1120
PPA	Varies

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

VI. MMEU BUDGET AND RATES (CONTINUED)

**SL – Security Lighting**

25-74 W LED	\$8.75 per lamp per month
250 W MH	\$14.25 per lamp per month
75-99 W LED	\$14.25 per lamp per month
400 W MH	\$18.25 per lamp per month
100-149 W LED	\$18.25 per lamp per month
1000 W MH	\$30.50 per lamp per month
150-300 W LED	\$30.50 per lamp per month
Energy Charge per kWh	---
PPA	N/A
Pole Charge if applicable	\$1.75 per pole per month
Overhead Span of wire if applicable	\$0.85 per span per month
Underground Service	Responsibility of Customer

Sales by type of customer account are as follows:

	<u>Accounts</u>	<u>kWh Sold</u>
Residential	2,807	23,815,009
Commercial SGS	564	19,726,754
Power LGS	21	24,135,390
Security Lights	419	592,080

VII. FINANCIAL HIGHLIGHTS

MMEU's total revenues decreased from \$8,921,614 in 2019 to \$8,440,744 in 2020, a decrease of \$480,870. The decrease in MMEU revenues were influenced by the decrease in commercial payments received in 2020 in comparison to 2019.

MMEU's total disbursements increased from \$8,214,325 in 2019 to \$8,227,270 in 2020, an increase of \$12,945 or .16%. The increase in MMEU disbursements is due mainly to the start of the Platt Street Reconstruction Project in 2020.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

**VIII. PROGRAM REVENUES**

MMEU generated revenues from the following sources in 2020 and 2019:

	<u>2020</u>	<u>2019</u>
1. Charges for Services:		
Residential	\$ 2,859,464	\$ 2,814,183
Commercial	979,022	1,755,550
Power sales	3,302,537	3,006,203
Capacity payments	757,625	742,723
Security lights	102,856	99,887
Sales tax	211,447	238,429
Total charges for services	<u>8,212,951</u>	<u>8,656,975</u>
2. Use of Money/Property	72,534	79,034
3. Miscellaneous	155,259	184,369
4. Other Financing Sources	<u>-</u>	<u>1,236</u>
<b>Total Revenues</b>	<b><u>\$ 8,440,744</u></b>	<b><u>\$ 8,921,614</u></b>

**IX. PROGRAM EXPENSES**

A comparison of MMEU 2020 and 2019 disbursements is as follows:

	<u>2020</u>	<u>2019</u>
General Operating	\$ 8,188,877	\$ 8,181,425
Nonmajor	<u>38,393</u>	<u>32,900</u>
<b>Total Expenses</b>	<b><u>\$ 8,227,270</u></b>	<b><u>\$ 8,214,325</u></b>

**X. MMEU CASH BALANCES OR ASSETS**

MMEU operates on a cash basis accounting system using three funds. Almost all revenues are credited and expenses paid through the General Operating Fund. A comparison of the cash balances in the MMEU funds are as follows:

<u>Fund</u>	Balance <u>12/31/2020</u>	Balance <u>12/31/2019</u>
1. General Operating	\$ 4,768,595	\$ 4,554,523
2. Electric Surplus	196,054	192,336
3. Customer Deposits	<u>84,090</u>	<u>88,406</u>
<b>Total</b>	<b><u>\$ 5,048,739</u></b>	<b><u>\$ 4,835,265</u></b>



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

**X. MMEU CASH BALANCES OR ASSETS (CONTINUED)**

<u>Account</u>	<u>Balance 12/31/2020</u>	<u>Balance 12/31/2019</u>
1. Operating Account	\$ 4,044,049	\$ 3,748,135
2. Insurance Account	60,065	59,474
3. Vehicle Reserve	374,671	314,530
4. Economic Development	51,500	75,000
5. Heavy Equipment	105,473	94,073
6. Power Plant Maintenance	87,234	183,311
7. System Improvement Account	45,603	80,000
<b>Total</b>	<b>\$ 4,768,595</b>	<b>\$ 4,554,523</b>

**XI. CONDENSED REVENUES, EXPENSES AND CHANGE IN CASH BALANCES**

	<u>2020</u>	<u>2019</u>
Starting Cash Balance – All Funds	\$ 4,835,265	\$ 4,127,976
Total Revenues	8,440,744	8,921,614
Total Expenses	8,227,270	8,214,325
Ending Cash Balance – All Funds	<u>\$ 5,048,739</u>	<u>\$ 4,835,265</u>

**XII. SIGNIFICANT MMEU SYSTEM & EQUIPMENT IMPROVEMENTS**

MMEU completed the following system improvement projects in 2020:

- Upgraded the Server and firewall at the office
- Installed a new roof at the Power Plant
- Purchased new Metering equipment for South Tie to be 69kV ready
- Worked with Downtown businesses to upgrade services
- Purchased a new GIS mapping system

**XIII. ANALYSIS OF OVERALL FINANCIAL POSITION**

MMEU's overall financial position increased by \$213,474 during 2020.

**XIV. ANALYSIS OF BALANCES AND TRANSACTIONS**

The excess of receipts over disbursements was due to Administration, Distribution, and Power Plant Budgets were underspent and Sale of Power was closer to budget.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

**XV. ANALYSIS OF VARIATIONS BETWEEN BUDGET AND ACTUAL AMOUNTS**

There was a 12% decrease between the MMEU original budget and the actual results.

	<u>Budget</u>	<u>Actual</u>
Disbursements	\$9,267,860	\$8,227,270

The difference resulted from variations in the following items:

1. Administration

- a. Postage, Computer Improvements, Returned Checks, Office equipment/supplies, Advertising, Energy Conservation, and Utility General Insurance were all moderately less than budgeted.
- b. City Hall Shared Services was significantly under budget due to the budgeted work being completed in 2019.  
Utilities, Legal Fees and Workers Comp were all significantly under budget, due to lower need for these services
- c. Community & Employee Relations, and Meeting & Training were under budget because of COVID-19 limiting events.
- d. Items over budget were Computer Maintenance, Credit Card Processing because of more online payments during COVID, AMI/Software Maintenance due to an unplanned software cost, and WPPI Community Relations because of COVID business funding.

2. Power Plant

- a. Purchased power was significantly less than budget due to lower than expected wholesale power costs and reduced load. There was no need to purchase fuel oil in 2020 due to current supply and low engine run time. Equipment/Material Repair was under budget because of stack testing that was budgeted but not needed until 2021.
- b. Natural gas, Lubricants & Water treatment, Building supplies, Utilities, Structure & improvement, and Uniforms were all less than budgeted.
- c. Power Plant Maintenance Transfer was significantly over budget in preparation for the planned roofing and tuck pointing project over the next couple years.

3. Distribution

- a. 4 kV system upgrades, Transformers, Meters, Building Maintenance, and Platt Street Reconstruction were significantly under budget.
- b. Gas & Oil, Tools, Poles, Safety Attire, Substation Maintenance, Meeting & Training, and Utilities, were also less than anticipated.
- c. Material & Hardware, Vehicle Maintenance, Conductor, Meter Parts, and Office Equipment were all over budget because of various unexpected repairs and projects.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

**XVI. CURRENT KNOWN FACTS – EFFECT ON FINANCIAL POSITION**

The planning started for a reconstruction project of Hwy 64 (Platt St) in 2020. This is a multiyear project that will involve the relocation of several utilities including part of the electric distribution system. Engineering and some material cost were incurred in 2020. The majority of the project will fall in 2021 for MMEU.

Replacement of the Main Power Plant Roof was completed during 2020

MMEU has a long-term power purchase agreement with WPPI Energy. The agreement started January 1, 2009 and remains in effect until December 2037. It was extended out through December 31, 2055 on March 16, 2016.

MMEU has a contract to sell Generation Capacity to WPPI Energy. The agreement started December 31, 2013. It was amended in 2014, 2015, and 2016. The agreement is through May 31, 2026

MMEU will continue to maintain and make improvements to the distribution system and power plant.

**XVII. FINAL COMMENTS**

This MD&A report was written to assist readers in understanding the results reported in the financial statements. It represents MMEU's effort to follow GASB Statement No. 34. The MD&A will be upgraded and improved each year in order to help the reader assess the financial condition of the Maquoketa Municipal Electric Utility.



## **BASIC FINANCIAL STATEMENTS**

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES**  
**PROPRIETARY FUNDS**  
**As of and for the Year Ended December 31, 2020**

	Enterprise
Operating receipts:	
Charges for services	\$ 8,212,951
Use of money and property	72,534
Miscellaneous	155,259
Total operating receipts	<u>8,440,744</u>
Operating disbursements:	
General:	
Power purchased	5,262,563
Employee expense	1,222,967
Contract labor	31,061
Repairs and maintenance	318,632
Supplies and services	133,370
Capital outlay	319,246
Sales and use tax	213,314
Gas and oil	19,038
Insurance	291,492
Franchise fee	154,540
Economic development	38,500
Energy conservation	23,612
EV charger	10,958
WPPI community relations	10,294
WPPI conservation grants	7,959
Contribution in aid rebates	150
Allen street substation project	45,721
Customer deposits	38,393
Utilities	26,371
Miscellaneous	59,089
Total operating disbursements	<u>8,227,270</u>
Excess of receipts over disbursements	<u>213,474</u>
Other financing sources (uses):	
Operating transfers in	261,141
Operating transfers out	(261,141)
Total other financing sources (uses)	<u>-</u>
Net change in cash balances	213,474
Cash balances beginning of year	<u>4,835,265</u>
Cash balances end of year	<u>\$ 5,048,739</u>
Cash basis net position	
Unrestricted	<u>\$ 5,048,739</u>

The accompanying notes are an integral part of the financial statements.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES**  
**PROPRIETARY FUNDS**  
**As of and for the Year Ended December 31, 2020**

	<b>Enterprise Funds</b>		
	<b>General</b>		
	<b>Operating</b>	<b>Nonmajor</b>	<b>Total</b>
Operating receipts:			
Charges for services	\$ 8,212,951	\$ -	\$ 8,212,951
Use of money and property	68,905	3,629	72,534
Miscellaneous	121,093	34,166	155,259
Total operating receipts	<u>8,402,949</u>	<u>37,795</u>	<u>8,440,744</u>
Operating disbursements:			
Power purchased	5,262,563	-	5,262,563
Employee expense	1,222,967	-	1,222,967
Contract labor	31,061	-	31,061
Repairs and maintenance	318,632	-	318,632
Supplies and services	133,370	-	133,370
Capital outlay	319,246	-	319,246
Sales and use tax	213,314	-	213,314
Gas and oil	19,038	-	19,038
Insurance	291,492	-	291,492
Franchise fee	154,540	-	154,540
Economic development	38,500	-	38,500
Energy conservation	23,612	-	23,612
EV charger	10,958	-	10,958
WPPI community relations	10,294	-	10,294
WPPI conservation grants	7,959	-	7,959
Contribution in aid rebates	150	-	150
Allen street substation project	45,721	-	45,721
Customer deposits	-	38,393	38,393
Utilities	26,371	-	26,371
Miscellaneous	59,089	-	59,089
Total operating disbursements	<u>8,188,877</u>	<u>38,393</u>	<u>8,227,270</u>
Excess of receipts over disbursements	<u>214,072</u>	<u>(598)</u>	<u>213,474</u>
Other financing sources (uses):			
Operating transfers in	261,141	-	261,141
Operating transfers out	(261,141)	-	(261,141)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	<u>214,072</u>	<u>(598)</u>	<u>213,474</u>
Cash balance beginning of year	<u>4,554,523</u>	<u>280,742</u>	<u>4,835,265</u>
Cash balance end of year	<u>\$ 4,768,595</u>	<u>\$ 280,144</u>	<u>\$ 5,048,739</u>
Cash basis net position			
Unrestricted	<u>\$ 4,768,595</u>	<u>\$ 280,144</u>	<u>\$ 5,048,739</u>

The accompanying notes are an integral part of the financial statements.



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The financial statements include only the funds of the Maquoketa Municipal Electric Utility (the Utility). The Utility has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Utility are such that exclusion would cause the Utility's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Utility. Based on the above criteria, the Utility has determined that there are no potential component units which must be included in the Utility's financial statements as of and for the year ended December 31, 2020.

The Maquoketa Municipal Electric Utility is includable as a component unit within the City of Maquoketa, Iowa, reporting entity because it has the potential to provide specific benefits to, or impose specific financial burdens on the City of Maquoketa, Iowa.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Cash Receipts, Disbursements, and Changes in Cash Balances reports information on all of the activities of the Utility. For the most part, the effect of interfund activity has been removed from this statement.

Net position is reported in two categories:

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position that does not meet the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

Fund Financial Statements - Separate financial statements are provided for proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining enterprise funds are aggregated and reported as nonmajor enterprise funds.

The Utility reports the following major enterprise funds:

*General Operating Fund*

Receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Bond Sinking Fund*

This fund is used to accumulate funds which are used to make the regularly scheduled principal and interest payments on the revenue notes payable.

C. Measurement Focus and Basis of Accounting

The Utility maintains its financial records on the cash basis for receipts and disbursements and the financial statements of the Utility are prepared on that basis. The cash basis of accounting does not report accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

*Budgets and Budgetary Accounting*

In accordance with the Code of Iowa, the Utility Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing statutorily prescribed procedures.

**NOTE 2 - DEPOSITS AND POOLED INVESTMENTS**

The Utility's deposits in banks at December 31, 2020, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized by state statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utility Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**NOTE 3 - COMPENSATED ABSENCES**

Utility employees accumulate vacation, sick leave, and compensatory time for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the Utility until used or paid. The Utility's approximate maximum liability for unrecognized accrued employee benefits is as follows:

<u>Type of Benefit</u>	<u>Amount at December 31, 2020</u>
Vacation	\$ 97,208
Sick leave	254,459
Compensatory time	2,220
Total	<u>\$ 353,887</u>



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 4 - INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended December 31, 2020 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Economic development	General operating	\$ 10,000
Power plan maintenace	General operating	116,000
Heavy equipment	General operating	20,000
System improvement	General operating	55,000
Vehicle reserve distribution	General operating	<u>60,141</u>
<b>Total</b>		<b><u>\$ 261,141</u></b>

**NOTE 5 - PENSION AND RETIREMENT BENEFITS**

**Iowa Public Employee Retirement System (IPERS)**

Plan Description - IPERS membership is mandatory for employees of the Utility, except for those covered by another retirement system. Employees of the Utility are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 5 - PENSION AND RETIREMENT BENEFITS (CONTINUED)**

**Iowa Public Employee Retirement System (IPERS) (continued)**

Protection occupation members may retire at normal retirement age which is generally at age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29 percent of covered payroll and the City contributed 9.44 percent of covered payroll, for a total rate of 15.73percent.

The Utility's total contributions to IPERS for the year ended December 31, 2020 were \$97,397.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 5 - PENSION AND RETIREMENT BENEFITS (CONTINUED)**

**Iowa Public Employee Retirement System (IPERS) (continued)**

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At December 31, 2020, the Utility's liability for its proportionate share of the net pension liability totaled \$834,689. The collective net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on the Utility's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2020, the Utility's proportion was 0.0119656 percent, which was a decrease of 0.0001180 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020 the Utility pension expense, deferred outflows and deferred inflows totaled \$128,060, \$159,318, and \$88,413 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial assumptions – The total pension liability (TPL) was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

- Rate of inflation (effective June 30, 2017): 2.60% per annum.
- Rates of salary increase (effective June 30, 2017): 3.25% - 16.25% average, including inflation (rates vary by membership group).
- Long-term investment rate of return (effective June 30, 2017): 7.00% compounded annually, net of investment expense, including inflation.
- Wage growth: 3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 5 - PENSION AND RETIREMENT BENEFITS (CONTINUED)**

**Iowa Public Employee Retirement System (IPERS) (continued)**

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core-plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	-0.21
Private equity	11.0	10.31
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utility will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 5 - PENSION AND RETIREMENT BENEFITS (CONTINUED)**

**Iowa Public Employee Retirement System (IPERS) (continued)**

Sensitivity of the Utility's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Utility's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Utility's proportionate share of the net pension liability:	<u>\$ 1,391,773</u>	<u>\$ 834,689</u>	<u>\$ 367,582</u>

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**NOTE 6 - RISK MANAGEMENT**

The Utility is exposed to various risks of loss related to torts: theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered through the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

As stated in Note 1, Maquoketa Municipal Electric Utility is a component unit of the City of Maquoketa, Iowa. The City pays the Utility for electric service to City-owned facilities and also pays the Utility for labor performed by Utility employees on city property. For the year ended December 31, 2020, the utility received the following amounts from the City:

Electric service	\$ 294,931.64
Material	633.58
Labor	<u>2,325.02</u>
Total	<u>\$ 297,890.24</u>

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 8 – UNCERTAINTIES**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including the Maquoketa Municipal Electric Utility, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the Maquoketa Municipal Electric Utility. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, new variants, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Maquoketa Municipal Electric Utility's operations and finances.

**NOTE 9 – SUBSEQUENT EVENTS**

The Utility has evaluated events and transactions occurring after December 31, 2020 for potential items requiring to be recognized or disclosed in the financial statements. Subsequent events have been evaluated through August 4, 2021, the date of which the financial statements were available to be issued.

This information is an integral part of the accompanying financial statements.

**REQUIRED SUPPLEMENTAL INFORMATION**



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (CASH BASIS)**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2020**

		Budgeted Amounts		Variance
	Actual	Original Budget	Final Budget	Final to Actual Favorable (Unfavorable)
Receipts:				
Use of money and property	\$ 72,534	\$ 47,000	\$ 47,000	\$ 25,534
Charges for services	8,212,951	7,588,000	7,588,000	624,951
Miscellaneous	155,259	1,147,305	1,147,305	(992,046)
Total receipts	<u>8,440,744</u>	<u>8,782,305</u>	<u>8,782,305</u>	<u>(341,561)</u>
Disbursements	<u>8,227,270</u>	<u>9,267,860</u>	<u>9,267,860</u>	<u>1,040,590</u>
Excess of receipts over disbursements	<u>213,474</u>	<u>(485,555)</u>	<u>(485,555)</u>	<u>699,029</u>
Other financing sources (uses):				
Operating transfers in	261,141	211,141	211,141	50,000
Operating transfers out	<u>(261,141)</u>	<u>(211,141)</u>	<u>(211,141)</u>	<u>(50,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	213,474	(485,555)	(485,555)	699,029
Cash balance beginning of year	<u>4,835,265</u>	<u>4,123,182</u>	<u>4,123,182</u>	<u>712,083</u>
Cash balance end of year	<u>\$ 5,048,739</u>	<u>\$ 3,637,627</u>	<u>\$ 3,637,627</u>	<u>\$ 1,411,112</u>
Cash basis net position				
Unrestricted	<u>\$ 5,048,739</u>	<u>\$ 3,637,627</u>	<u>\$ 3,637,627</u>	<u>\$ 1,411,112</u>

The accompanying notes are an integral part of the financial statements.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION -**  
**BUDGETARY REPORTING**  
**December 31, 2020**

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended December 31, 2020, disbursements did not exceed the amounts budgeted in the business type activities functions.

**MAQUOKETA MUNICIPAL ELECTIC UTILITY  
SCHEDULE OF THE UTILITY'S PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY**

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR**

**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Utility's proportion of the net pension liability	0.011966%	0.012084%	0.012514%
Utility's proportionate share of the net pension liability	\$834,689	\$704,419	\$768,891
Utility's covered-employee payroll	\$1,031,750	\$912,745	\$955,018
Utility's proportionate share of the net pension liability as a percentage of its covered-employee payroll	80.90%	77.18%	80.51%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%

\*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.



<u>2017</u>	<u>2016</u>	<u>2015</u>
0.012430%	0.011591%	0.011834%
\$775,149	\$576,237	\$469,319
\$898,534	\$892,702	\$857,012
86.27%	64.54%	54.76%
81.82%	85.19%	87.61%

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
SCHEDULE OF UTILITY CONTRIBUTIONS**

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS**

**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contributions	\$ 97,397	\$ 85,308	\$ 87,751	\$ 78,157
Contributions in relation to the statutorily required contributions	<u>(97,397)</u>	<u>(85,308)</u>	<u>(87,751)</u>	<u>(78,157)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered-employee payroll	\$ 1,031,750	\$ 912,745	\$ 955,018	\$ 898,534
Contributions as a percentage of covered-employee payroll	9.44%	9.35%	9.19%	8.70%

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 79,718	\$ 76,531	\$ 67,945	\$ 72,576	\$ 70,887	\$ 72,432
<u>(79,718)</u>	<u>(76,531)</u>	<u>(67,945)</u>	<u>(72,576)</u>	<u>(70,887)</u>	<u>(72,432)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 892,702	\$ 857,012	\$ 760,859	\$ 825,096	\$ 847,429	\$ 967,079
8.93%	8.93%	8.93%	8.80%	8.36%	7.49%



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY**  
**IOWA PUBLIC EMPLOYEE RETIREMENT SYSTEM**  
**Year ended December 31, 2020**

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth rate from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

**OTHER SUPPLEMENTAL INFORMATION**

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES**  
**NONMAJOR ENTERPRISE FUNDS**  
**As of and for the Year Ended December 31, 2020**

	<u>Electric Surplus</u>	<u>Customer Deposits</u>	<u>Total</u>
Operating receipts:			
Use of money and property	\$ 3,629	\$ -	\$ 3,629
Miscellaneous	89	34,077	34,166
Total operating receipts	<u>3,718</u>	<u>34,077</u>	<u>37,795</u>
Operating disbursements:			
Customer deposits	<u>-</u>	<u>38,393</u>	<u>38,393</u>
Total disbursements	<u>-</u>	<u>38,393</u>	<u>38,393</u>
Excess of receipts over disbursements	<u>3,718</u>	<u>(4,316)</u>	<u>(598)</u>
Net change in cash balances	3,718	(4,316)	(598)
Cash balance beginning of year	<u>192,336</u>	<u>88,406</u>	<u>280,742</u>
Cash balance end of year	<u><u>\$ 196,054</u></u>	<u><u>\$ 84,090</u></u>	<u><u>\$ 280,144</u></u>
Cash basis net position			
Unrestricted	<u><u>\$ 196,054</u></u>	<u><u>\$ 84,090</u></u>	<u><u>\$ 280,144</u></u>



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**GENERAL OPERATING FUND**  
**As of and for the Year Ended December 31, 2020**

	<u>Operating Account</u>	<u>Insurance Account</u>
Operating receipts:		
Charges for services:		
Residential	\$ 2,859,464	\$ -
Commercial	979,022	-
Security lights	102,856	-
Capacity payments	757,625	-
Power sales	3,302,537	-
Sales Tax	211,447	-
	<u>8,212,951</u>	<u>-</u>
Use of money and property:		
Interest on investments	42,274	591
Miscellaneous	26,040	-
	<u>68,314</u>	<u>591</u>
Miscellaneous:		
Refunds	774	-
Miscellaneous	120,319	-
	<u>121,093</u>	<u>-</u>
Total operating receipts	<u>8,402,358</u>	<u>591</u>
Operating disbursements:		
Administration	1,157,880	-
Power plant	5,646,128	-
Distribution	1,041,295	-
Total operating disbursements	<u>7,845,303</u>	<u>-</u>
Excess of receipts over disbursements	<u>557,055</u>	<u>591</u>
Other financing sources (uses):		
Transfers in (out):		
Operating account	-	-
Economic development	(10,000)	-
Vehicle reserve distribution	(60,141)	-
Heavy equipment account	(20,000)	-
Power plant maintenance	(116,000)	-
System improvement account	(55,000)	-
Total other financing sources (uses)	<u>(261,141)</u>	<u>-</u>
Net change in cash balances	295,914	591
Cash balance, beginning of year	3,748,135	59,474
Cash balance end of year	<u>\$ 4,044,049</u>	<u>\$ 60,065</u>

<u>Vehicle Reserve - Distribution</u>	<u>Economic Development</u>	<u>Heavy Equipment Account</u>	<u>Power Plant Maintenance</u>	<u>System Improvement Account</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,859,464
-	-	-	-	-	979,022
-	-	-	-	-	102,856
-	-	-	-	-	757,625
-	-	-	-	-	3,302,537
-	-	-	-	-	211,447
-	-	-	-	-	8,212,951
-	-	-	-	-	42,865
-	-	-	-	-	26,040
-	-	-	-	-	68,905
-	-	-	-	-	774
-	-	-	-	-	120,319
-	-	-	-	-	121,093
-	-	-	-	-	8,402,949
-	33,500	-	-	-	1,191,380
-	-	-	212,077	-	5,858,205
-	-	8,600	-	89,397	1,139,292
-	33,500	8,600	212,077	89,397	8,188,877
-	(33,500)	(8,600)	(212,077)	(89,397)	214,072
60,141	10,000	20,000	116,000	55,000	261,141
-	-	-	-	-	(10,000)
-	-	-	-	-	(60,141)
-	-	-	-	-	(20,000)
-	-	-	-	-	(116,000)
-	-	-	-	-	(55,000)
60,141	10,000	20,000	116,000	55,000	-
60,141	(23,500)	11,400	(96,077)	(34,397)	214,072
314,530	75,000	94,073	183,311	80,000	4,554,523
\$ 374,671	\$ 51,500	\$ 105,473	\$ 87,234	\$ 45,603	\$ 4,768,595

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**SCHEDULE OF DISBURSEMENTS**  
**OPERATING ACCOUNT**  
**Year Ended December 31, 2020**

## Administration:

Salaries	\$ 248,594
FICA and IPERS	42,295
Insurance	250,494
Sales and use tax	213,314
Franchise fee	154,540
Materials and repairs	67,022
Postage	16,824
Meeting expense	2,305
Dues	29,110
Office supplies	10,858
Professional fees	40,830
Utilities	5,568
Advertising	3,747
City Hall shared services	6,910
Energy conservation	23,612
EV charger	10,958
WPPI community relations	10,294
WPPI conservation grants	7,959
Economic development	5,000
Community and employee relations	150
Miscellaneous	7,496
Total administration	<u>1,157,880</u>

## Power Plant:

Salaries	249,731
FICA and IPERS	42,514
Purchased power	5,262,563
Insurance	40,998
Materials and repairs	27,608
Supplies	6,479
Utilities	6,360
Natural gas	8,221
Lubricants	934
Miscellaneous	720
Total power plant	<u>5,646,128</u>



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**SCHEDULE OF DISBURSEMENTS**  
**OPERATING ACCOUNT**  
**Year Ended December 31, 2020**

Distribution:

Salaries	\$ 547,257
FICA and IPERS	92,576
Contract labor	31,061
Materials and repairs	136,286
Meeting expense	10,221
Supplies	17,076
Utilities	14,443
Gas and oil	9,883
Tools	6,265
Conductor	48,770
Transformers	9,172
4kV System Upgrade	2,482
Transmission maintenance	31,911
Poles	12,916
Meters	19,765
Safety attire	1,809
Platt Street Reconstruction	45,721
Miscellaneous	3,681
Total distribution	<u>1,041,295</u>
Total disbursements	<u><u>\$ 7,845,303</u></u>

**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Utility Board of Trustees  
Maquoketa Municipal Electric Utility  
Maquoketa, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities, each major fund, and the aggregate remaining fund information of Maquoketa Municipal Electric Utility, as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the Utility's basic financial statements, and have issued our report thereon dated August 4, 2021. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Maquoketa Municipal Electric Utility's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Maquoketa Municipal Electric Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of Maquoketa Municipal Electric Utility's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Maquoketa Municipal Electric Utility's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Responses as item II-A-20 to be a significant deficiency.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maquoketa Municipal Electric Utility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2020, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. Since our audit was based on tests and samples, not all transactions that might have had an effect on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## Maquoketa Municipal Electric Utility's Responses to Findings

Maquoketa Municipal Electric Utility's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Maquoketa Municipal Electric Utility's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Utility's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Maquoketa Municipal Electric Utility during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Miner, George : Mike Cst PC*

August 4, 2021



**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended December 31, 2020**

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which are a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2020**

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-20    Financial Statement Preparation

Criteria - A properly designed system of internal control over financial reporting includes the preparation of the entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. The Utility engages Miner, Gilroy and Meade, CPA PC (MGM) to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, MGM cannot be considered part of the Utility's internal control system. To establish proper internal control over the preparation of its financial statements, including disclosures, the Utility should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of applicable general accepted accounting principles and knowledge of the Utility's activities and operations.

Condition - The Utility has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the Utility's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Effect - Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Cause - The Utility has relied on independent auditor's to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated. We recognize that with limited number of office employees, preparation of the financial statements is difficult.

Recommendation - Management should perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Response - Management will perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**MAQUOKETA MUNICIPAL ELECTRIC UTILITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended December 31, 2020**

**Part III: Other Findings Related to Statutory Reporting:**

- III-A-20    Certified Budget - Disbursements during the year ended December 31, 2020 did not exceed amounts budgeted.
- III-B-20    Questionable Disbursements - We noted no disbursements that we believe would not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-20    Travel Expense - No disbursements of Utility money for travel expenses of spouses of utility officials or spouses of utility employees were noted.
- III-D-20    Business Transactions - We noted no business transactions between the Utility and Utility officials or employees that appear to represent a conflict of interest.
- III-E-20    Bond Coverage - Surety bond coverage of utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- III-F-20    Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-20    Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Utility's investment policy were noted.
- III-H-20    Revenue Notes - During the year ended December 31, 2020, the Utility did not have any outstanding revenue notes.
- III-I-20    Telecommunication Services - No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.